

Message Text

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TO AMEMBASSY VIENNA

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VIENNA FOR US DEL MBFR

FOLLOWING SENT ACTION ALL NATO CAPITALS INFO USNMR SHAPE,
USCINCEUR, USLOSACLANT, CINCLANT AND USDEL MC FROM SECSTATE FEB
20 REPEATED YOU:

QUOTE

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E.O. 11652:N/A

TAGS: EFIN, MCAP, NATO

SUBJECT: BURDENSARING; PRESIDENT'S REPORT TO CONGRESS ON
JACKSON-NUNN

1. THE PRESIDENT ON FEBRUARY 19 SUBMITTED THE FOLLOWING
REPORT TO CONGRESS ON JACKSON-NUNN. USNATO SHOULD INFORM
NAC ASAP. OTHER ADDRESSEES SHOULD ALSO INFORM HOST
GOVERNMENTS.

2. BEGIN TEXT.

TO THE CONGRESS OF THE UNITED STATES:

IN ACCORDANCE WITH SECTION 812(D) OF THE DEPARTMENT OF
DEFENSE APPROPRIATION AUTHORIZATION ACT, 1974 (PUBLIC LAW
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93-155), I AM PLEASED TO SUBMIT THE FOLLOWING REPORT TO THE

CONGRESS ON THE PROGRESS MADE IN IMPLEMENTING THE PROVISIONS OF SECTION 812 OF THE ACT CITED ABOVE.

SEVERAL MONTHS PRIOR TO THE ENACTMENT OF SECTION 812, THIS ADMINISTRATION TOOK THE INITIATIVE TO SEEK ALLIED COOPERATION IN DEVELOPING A SOLUTION TO THE FINANCIAL PROBLEMS ARISING FROM THE STATIONING OF U.S. FORCES IN NATO EUROPE. WE INITIATED DISCUSSIONS WITH THE FEDERAL REPUBLIC OF GERMANY IN MAY 1973 WITH A VIEW TOWARD NEGOTIATING ANOTHER BILATERAL OFFSET AGREEMENT COVERING FISCAL YEARS

1974 AND 1975. THEN AT THE JUNE 1973 MEETING OF NATO DEFENSE MINISTERS, DEFENSE SECRETARY SCHLESINGER PROPOSED TO THE ALLIES THAT THEY DEVELOP A PROGRAM TO RELIEVE THE U.S. OF BALANCE OF PAYMENTS BURDEN WE BEAR AS A RESULT OF STATIONING FORCES IN NATO EUROPE. HE ALSO ASKED THAT THE U.S. BE RELIEVED OF THE ADDITIONAL BUDGETARY COSTS INVOLVED IN STATIONING FORCES IN NATO EUROPE RATHER THAN IN THE U.S. A NATO STUDY GROUP WAS ESTABLISHED TO EXAMINE THE PROBLEM. THIS GROUP SUBMITTED A REPORT ON OCTOBER 20 TO THE NORTH ATLANTIC COUNCIL, GIVING AN ANALYSIS OF THE FINANCIAL PROBLEMS ARISING FROM THE STATIONING OF U.S. FORCES IN THE TERRITORY OF OTHER NATO COUNTRIES AND DEVELOPED OPTIONS FOR ALLIED ACTION TO DEAL WITH THESE PROBLEMS.

ON NOVEMBER 29, 1973, FOLLOWING THE ENACTMENT OF THE DEPARTMENT OF DEFENSE APPROPRIATION AUTHORIZATION ACT 1974, AMBASSADOR RUMSFELD, THE U.S. PERMANENT REPRESENTATIVE TO THE NORTH ATLANTIC COUNCIL, TABLED AN ILLUSTRATIVE PROGRAM OF MILITARY PROCUREMENT AND BUDGETARY SUPPORT WHICH WOULD SATISFY THE REQUIREMENTS OF SECTION 812 OF THE ACT AND THEREBY AVOID UNILATERAL U.S. FORCE REDUCTIONS IN NATO EUROPE. SUBSEQUENTLY, DURING THE DECEMBER 1973 MEETING OF NATO DEFENSE MINISTERS, OUR ALLIES DECLARED THEIR INTENTION QTE TO PARTICIPATE IN MULTILATERAL OR BILATERAL ARRANGEMENTS TOWARDS PROVIDING A COMMON SOLUTION TO THE UNITED STATES PROBLEM UNQTE, AGREED QTE TO EXAMINE HOW THE SHARE OF THE UNITED STATES IN THE CIVIL AND MILITARY BUDGETS OF NATO AND IN THE INFRA-
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STRUCTURE PROGRAM MIGHT BE SUBSTANTIALLY REDUCED UNQTE, AND NOTED THAT QTE CONSIDERATION WAS BEING GIVEN TO WIDENING THE ELIGIBILITY OF PROJECTS FOR FUNDING UNDER THE COMMON INFRASTRUCTURE PROGRAM. UNQTE WE ARE CONTINUING TO POINT OUT IN THE NORTH ATLANTIC COUNCIL AND ELSEWHERE THE IMPORTANCE WE ATTACH TO MEETING THE REQUIREMENTS OF SECTION 812 IF WE ARE TO AVOID UNILATERAL U.S. FORCE REDUCTIONS. WE CONTINUE TO STRESS, THEREFORE, THE URGENT

NEED FOR ALLIED ACTION TO FULFILL THE INTENTIONS DECLARED AT THE DECEMBER 1973 MEETING OF NATO DEFENSE MINISTERS, REGARDLESS OF THE EVOLVING BALANCE OF PAYMENTS POSITION OF THE U.S. AND ITS ALLIES.

PURSUANT TO SECTION 812(A) OF THE ACT CITED ABOVE, A WORKING GROUP COMPOSED OF REPRESENTATIVES OF THE SECRETARY OF COMMERCE, THE COMPTROLLER GENERAL OF THE UNITED STATES, AND THE SECRETARY OF DEFENSE, HAS DEVELOPED CONCEPTS FOR USE IN CALCULATING THE PERTINENT DEFICIT ONCE THE RECEIPT AND EXPENDITURE INFORMATION BECOMES AVAILABLE FOR ALL OF

FISCAL YEAR 1974. AN INTER-AGENCY COMMITTEE WITHIN THE EXECUTIVE BRANCH HAS PREPARED RECOMMENDATIONS CONCERNING WHAT ACCEPTABLE ACTIONS OUR ALLIES COULD TAKE TO OFFSET THE EXPECTED DEFICIT. APPLYING THE CONCEPTS DEVELOPED BY THE WORKING GROUP CHAIRED BY THE DEPARTMENT OF COMMERCE, THE DEPARTMENT OF DEFENSE ESTIMATES THAT U.S. EXPENDITURES ENTERING THE BALANCE OF PAYMENTS AS A RESULT OF THE DEPLOYMENT OF FORCES IN NATO EUROPE IN FULFILLMENT OF TREATY COMMITMENTS AND OBLIGATIONS OF THE UNITED STATES IN FISCAL YEAR 1974 WILL BE APPROXIMATELY 2.1 BILLION DOLLARS. IN RESPONSE TO A U.S. REQUEST, A STUDY IS NOW UNDERWAY IN NATO TO COLLECT MORE COMPLETE DATA THAN IN THE PAST ON ALLIED MILITARY PROCUREMENT FROM THE U.S. IN FISCAL YEAR 1974. A HIGH LEVEL OF MILITARY PROCUREMENT WILL BE ESSENTIAL IF THE REQUIREMENTS OF SECTION 812 ARE TO BE MET.

BILATERAL OFFSET NEGOTIATIONS WITH THE FRG CONSTITUTE THE MAJOR ELEMENT IN OUR EFFORT TO OBTAIN ALLIED PAYMENTS TO OFFSET THESE EXPENDITURES. THE CURRENT DISCUSSIONS ARE BASED ON A GERMAN OFFER WHICH REPRESENTS AN INCREASE OVER UNCLASSIFIED

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THE AMOUNT OF MILITARY PROCUREMENT AND BUDGETARY SUPPORT INCLUDED IN THE FY 1972-73 AGREEMENT. HOWEVER, MAJOR COST INCREASES OF DEPLOYING OUR FORCES IN GERMANY, INTERNATIONAL ECONOMIC AND FINANCIAL DEVELOPMENTS, AND THE MULTILATERAL BURDENSARING DISCUSSIONS HAVE COMBINED TO MAKE THE NEGOTIATIONS UNUSUALLY COMPLEX AND TIME CONSUMING. ONCE A SATISFACTORY BILATERAL OFFSET AGREEMENT HAS BEEN CONCLUDED, WE WILL LOOK TO OUR OTHER ALLIES FOR THE REMAINING AMOUNT NEEDED TO OFFSET OUR ESTIMATED EXPENDITURES OF APPROXIMATELY 2.1 BILLION DOLLARS. ALTHOUGH THE ENERGY CRISIS AND THE CHANGING OVERALL BALANCE OF PAYMENTS POSITIONS OF THE U.S. AND THE EUROPEAN NATO COUNTRIES HAVE MADE IT MORE DIFFICULT FOR THE OTHER ALLIES TO RESPOND PROMPTLY TO OUR REQUEST FOR BURDENSARING ASSISTANCE, WE ARE CONTINUING TO STRESS TO

THEM THE URGENT NEED TO DEVELOP A SPECIFIC PROGRAM TO
ENSURE THAT OUR MILITARY EXPENDITURES ARE FULLY OFFSET.

ACTION TO REDUCE THE U.S. BALANCE OF PAYMENTS COSTS AND
BUDGETARY BURDENS ASSOCIATED WITH THE STATIONING OF U.S.
FORCES IN NATO EUROPE, WHILE IMPORTANT, ARE NOT THE ONLY
MEASURE OF EQUITY IN SHARING THE COMMON DEFENSE BURDEN.
OUR EUROPEAN ALLIES ARE CONTINUING TO IMPROVE THEIR FORCES
FOR NATO. THESE IMPROVEMENTS, REFLECTED IN INCREASING
EUROPEAN DEFENSE BUDGETS, ARE AN IMPORTANT ASPECT IN
SHARING THE DEFENSE BURDEN. WE ARE ENCOURAGING OUR
ALLIES TO CONTINUE THESE IMPROVEMENTS AND, WHEN POSSIBLE,

TO DIRECT THEIR INCREASED SPENDING INTO AREAS WHICH SERVE
ALSO TO REDUCE THE U.S. SHARE OF THE COMMON BURDEN.

END TEXT.

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